

**Commonwealth Edison Company** :  
: **ICC Docket No. 10-0467**  
**Proposed general increase in electric rates** :  
:

**DIRECT TESTIMONY  
OF**

**BRADLEY O. FULTS**

**ON BEHALF OF THE COALITION TO**

**REQUEST EQUITABLE ALLOCATION OF COSTS TOGETHER**

**REACT**

**COMPRISED OF:**

**A. FINKL & SONS, Co.**  
**AUX SABLE LIQUID PRODUCTS, LP**  
**THE CITY OF CHICAGO**  
**COMMERCE ENERGY, INC.**  
**FLINT HILLS RESOURCES, LP**  
**FUTUREMARK PAPER COMPANY**  
**INTEGRYS ENERGY SERVICES, INC.**  
**INTERSTATE GAS SUPPLY OF ILLINOIS, INC.**  
**THE METROPOLITAN WATER RECLAMATION DISTRICT**  
**OF GREATER CHICAGO**  
**PDV MIDWEST REFINING LLC**  
**UNITED AIRLINES, INC.**  
**WELLS MANUFACTURING, INC.**

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**Proposed General Increase in Rates.** :

## I.

**Q. Please state your name, title and business address.**

A. My name is Bradley O. Fufts. I am the Managing Principal at Progressive Energy Solutions, LLC, an energy consulting firm that specializes in energy planning, energy pricing, contract negotiations, strategic planning, and other energy matters. Progressive Energy Solutions works with large commercial, institutional, and industrial companies, including many customers with facilities served by Commonwealth Edison Company (“ComEd”). My address is 8908 Prestwick Circle, Brooklyn Park, MN 55443.

**Q. What are your responsibilities in your present position?**

A. My area of concentration at Progressive Energy Solutions, LLC is in customer energy supply procurement, utility rate evaluation, and analysis. I assist large commercial and industrial customers by evaluating energy supply pricing and procurement, energy risk management, utility rate structures, rate options, rules of service and on-site generation options for such customers. My evaluation typically involves elements including reliability of supply, standby fuels, cogeneration gas supplies, penalty avoidance, proper

tariff application, proper application of rules and regulations and other energy related issues.

Prior to 2002, I was employed as a Senior Project Manager within the Energy Solutions Group with Alliant Energy Integrated Services and its predecessor, and had many of the same responsibilities.

**Q. Please state your educational qualifications.**

A. I attended the University of Wisconsin-Eau Claire and in 1982 received a Bachelor of Science Degree in Business Administration with a major in Management Information Systems.

**Q. Please discuss your experience in the Illinois retail electric market.**

Since the late 1980s, I have been regularly advising customers in the ComEd service territory about procurement of energy supply, including both electricity and natural gas. For more than 20 years, I have provided technical support and utility industry analysis to some of the largest commercial, institutional, and industrial energy customers in the northern Illinois area. I track and analyze regulatory and energy supply issues that affect those customers' energy costs, such as those that are implicated by the proposals ComEd made to initiate this proceeding.

**Q. Have you been advising clients regarding changes to Illinois retail electric market?**

A. Yes. Since before the inception of competition in the Illinois retail electric market, I have been assisting some of ComEd's largest customers in analyzing the impact of ComEd's rate proposals. During 1996 and 1997, I provided technical support service to the Illinois Institutional and Industrial Customers for Energy Restructuring ("I<sup>3</sup>CER"). I<sup>3</sup>CER was formed to help facilitate changes to Illinois electric restructuring proposals, which were being negotiated by many organizations at that time. As part of that work, I evaluated the impact of the 1997 amendments to the Public Utilities Act on on-site generation, recovery of stranded costs, state and municipal tax issues, and other issues affecting the electric rates paid by customers.<sup>1</sup>

Over the years, I have assisted a wide array of commercial and industrial customers in reviewing and analyzing their competitive supply options, including Retail Electric Suppliers ("RES") proposals, and I have worked closely with a number of customers to evaluate ComEd's increases in delivery services rates, market value energy charges, power purchase option rates, and customer transition charges.

**Q. What national experience do you have regarding energy issues?**

A. I have worked throughout the United States evaluating energy procurement options, rate design issues and on-site generation opportunities. Many of my clients have multiple facilities and I am often retained to evaluate supply options across more than one jurisdiction. I have evaluated supply procurement options for electricity and natural gas in Illinois and other states such as: New Jersey, California, Minnesota, New York,

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<sup>1</sup> Those amendments are now codified as Article XVI of the Public Utilities Act, 220 ILCS 5/16-101 *et seq.*

Pennsylvania, Texas, and Washington, as well as Canada. This work included not only evaluating the supply commodity options in the competitive market for electricity and natural gas, but also analyzed the economics of standby fuels and on-site generation.

**Q. Have you previously testified before the Commission?**

A. Yes. My resume is attached to my Direct Testimony as REACT Ex. 1.1, and includes a list of proceedings in which I have provided expert testimony.

**Q. Are you incorporating any of your previous testimony by reference?**

A. Yes. I am incorporating my testimony from the 2007 ComEd Rate Case and the 2008 Special Investigation Proceeding. My Direct, Corrected Supplemental Direct, and Rebuttal Testimony, and the exhibits thereto submitted into evidence in the 2007 ComEd Rate Case are incorporated herein as if they were attached in REACT Exhibits 1.2, 1.3 and 1.4, respectively.<sup>2</sup> My Direct and Corrected Rebuttal Testimony, and the exhibits thereto submitted into evidence in the 2008 Special Investigation Proceeding are incorporated herein as if they were attached in REACT 1.5 and 1.6, respectively.<sup>3</sup>

**Q. On whose behalf are you testifying?**

A. I am testifying on behalf of the Coalition to Request Equitable Allocation of Costs Together (collectively, "REACT"). REACT brings together some of the largest and most

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<sup>2</sup> In the 2007 ComEd Rate Case, (ICC Docket No. 07-0566), my Direct Testimony (REACT Exhibit 1.0) with accompanying exhibits (REACT Exhibits 1.1-1.2), were filed on ICC eDocket on February 11, 2008. My Corrected Supplemental Direct Testimony (REACT Corrected Exhibit 4.0) with accompanying exhibit (REACT Exhibit 4.1), were filed on ICC eDocket on May 6, 2008. My Rebuttal Testimony (REACT Exhibit 5.0), was filed on ICC eDocket on April 8, 2008.

<sup>3</sup> In the 2008 Special Investigation Proceeding (ICC Docket No. 08-0532), my Direct Testimony (REACT Exhibit 1.0) with accompanying exhibits (REACT Exhibits 1.1-1.6), were filed on ICC eDocket on May 22, 2009. My Rebuttal Testimony (REACT Corrected Exhibit 3.0), was filed on ICC eDocket on October 9, 2008.

well-known industrial, commercial and governmental entities in the Chicagoland area that will be significantly impacted by unjustified rate increases and proposed changes to distribution rates.

**Q. What is the unifying philosophy of REACT?**

A. REACT was formed in direct response to ComEd's rate increase filing in the 2007 ComEd Rate Case. The diverse members of REACT recognized that their interests aligned in addressing ComEd's proposed inequitable and unjustified cost allocations and have joined together to Request Equitable Allocation of Costs Together, or "REACT."

**Q. Has ComEd appropriately allocated its costs in this proceeding?**

A. No. ComEd's proposed rates in the present case continue to be based upon inequitable and unjustified allocations of the costs that ComEd seeks to collect from its customers. ComEd's improper allocations will impact REACT members in both by impeding the development of a competitive market for smaller customers, and by unfairly saddling the Extra Large Load customer class, whose members provide jobs and economic benefits to the Chicagoland area, with artificially inflated rates that are not based upon the costs that the Extra Large Load customers caused.

For at least five (5) fundamental reasons, the way in which ComEd has proposed to allocate its cost simply does not make sense:

**First**, ComEd's proposal continues to unjustifiably allocate a disproportionate amount of its costs to its largest customers. As a result of this improper allocation, ComEd is proposing to increase rates for its largest customers by more than 76.8% since January 2, 2007 -- whereas the average increase over all

customers is only 38%.<sup>4</sup> Relying on an allocation methodology that the Commission has repeatedly maligned, ComEd goes so far as to assert that it believes that it should be entitled to increase the rates to its largest customers. ComEd has not explained what the Extra Large Load customers have done to deserve such a disproportionate, massive rate increase.

**Second**, ComEd has continued to present a fundamentally flawed Embedded Cost of Service Study (“ECOSS”) improperly allocating assets to the Extra Large Load class that the class does not use -- including some assets that these customers would never use as part of Standard Service. REACT expert witness Harry L. Terhune explains in detail the types of costs that should not be assigned to the Extra Large Load class, and the steps ComEd should take to remedy the improper allocation. Mr. Terhune’s Direct Testimony is REACT Ex. 3.0.

**Third**, ComEd continues to improperly include in its proposed delivery services rates costs ComEd incurs associated with providing supply service. As REACT expert witness Jeffrey Merola explains in his testimony, ComEd’s distortion artificially inflates ComEd’s delivery services charges, and impedes the development of the competitive market for smaller commercial and residential customers. Mr. Merola’s Direct Testimony is REACT Ex. 2.0.

**Forth**, ComEd’s new proposal to recover its obligation to pay the Illinois Electric Distribution Tax would unfairly penalize large customers who efficiently utilize ComEd’s distribution system.

**Fifth**, ComEd yet again has presented an unjustified request for an increase in its Distribution Loss Factors. This is the latest in a long series of Distribution Loss Factor increases that ComEd has sought with an accounting of the actual losses incurred on ComEd’s distribution system.

In short, ComEd once again has not fairly, appropriately or properly allocated its costs in this proceeding.

## II.

### PURPOSE AND CONTEXT OF TESTIMONY

**Q. What is the purpose of your testimony in this proceeding?**

**A.** My testimony:

- Introduces the members of the REACT coalition and its expert witnesses in this proceeding;

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<sup>4</sup> See ICC Docket No. 07-0566 Final Order dated September 10, 2008, Appendix at 1; ComEd Ex. 16.2 at 3.



- Contextualizes ComEd’s massive, disproportionate increases and proposed increases of its delivery services rates to its largest customers since 2006;
- Summarizes flaws in ComEd’s filed ECOSS and primary/secondary supplemental ECOSS;
- Introduces the issue of the impact ComEd’s improper allocation of procurement costs would have upon the development of a competitive market for residential and small commercial customers;
- Evaluates the impact of ComEd’s proposal to collect its Illinois Electricity Distribution Tax as a per kWh line item fee; and
- Evaluates ComEd’s proposed increases in distribution line loss costs for the over-10 MW customer classes.

**Q. What are your recommendations?**

A. To the extent the Commission approves any increase in ComEd’s rates, it should reject ComEd’s unjustified, inequitable proposed allocation of costs to the Extra Large Load customer class. Specifically, **the Commission should:**

- **Reject ComEd’s proposal to increase overall distribution rates for the over-10 MW customers** by 76.8% since January 2, 2007.
- **Compel ComEd to identify the assets used to serve the Extra Large Load customer class** and fairly allocate costs to the class based on the costs the class actually causes.
- **Reject ComEd’s proposal to recover its obligation pay the Illinois Electricity Distribution Tax on a per kWh fee.** This change is unnecessary, adds confusion and is contrary ComEd’s proposal to move rate towards a Straight Fixed Variable recovery method.
- **Reject ComEd’s increase in the distribution “loss factors”.** These factors were updated in ComEd’s last two rate case, Docket Nos. 05-0597 and 07-0566, and ComEd has not provided a defensible explanation of why the distribution loss factors continue to increase.

**Q. Is REACT sponsoring other direct testimony?**

A. Yes. In addition to my own testimony, REACT is sponsoring the direct testimony of two other expert witnesses: Jeffrey Merola and Harry L. Terhune. Mr. Merola has over 20 years of experience in the competitive energy markets. He testifies regarding Customer Care Costs, which are those costs ComEd incurs to provide customer service for its delivery and supply customers. Mr. Merola's testimony addresses the manner in which ComEd has improperly allocated the Customer Care Costs, resulting in artificially high delivery services rates, and artificially low supply charges. Mr. Terhune has over 31 years of senior-level transmission and distribution engineering experience, working at ComEd, MAIN and a neighboring transmission company; he testifies on issues relating to ComEd's improper allocation of costs to the Extra Large Load class, noting that ComEd has assigned the costs of certain assets to the class that the members of the class simply do not use.

### **III.**

#### **THE REACT COALITION AND REACT'S PARTICIPATION IN PRIOR PROCEEDINGS**

**Q. Please further describe the REACT coalition and its members.**

A. The REACT coalition is an *ad hoc* group, with diverse members, ranging from some of the largest of ComEd's commercial, governmental and industrial delivery services customers to RESs that are active in the ComEd market to a company that is contemplating entering the residential retail electric market in Illinois. The REACT members currently include: A. Finkl & Sons, Co.; Aux Sable Liquid Products, LP; the City of Chicago; Commerce Energy, Inc.; Flint Hills Resources, LLC; FutureMark Paper Company; Integrys Energy Services, Inc.; Interstate Gas Supply of Illinois, Inc.; The

Metropolitan Water Reclamation District of Greater Chicago PDV Midwest Refining LLC; United Airlines, Inc.; and Wells Manufacturing Company. The opinions herein do not necessarily represent the positions of any particular member of REACT.

**Q. Can you provide any additional detail on the delivery services customers that are members of REACT?**

A. Yes. The large commercial, governmental and industrial members of REACT are all considered “Extra Large” Load class customers, meaning they each have a peak load in excess of 10,000 kilowatts (10 megawatts, or “10 MW”) of electricity, or “Extra Large High Voltage” class customers. The REACT members all have demands in excess of 10 MW and would be significantly impacted by ComEd’s proposed increases. As discussed in detail below, the impact of ComEd’s proposal would increase rates for the over-10 MW since ICC Docket No. 05-0597 in the 30% to 85% range.

**Q. Can you provide any additional detail on the retail electric suppliers that are members of REACT?**

A. Yes. Commerce Energy, Inc. (“Commerce”) and Integrys Energy Services, Inc. (“Integrys”) are certificated as Alternative Retail Electricity Suppliers (“ARES”) in the ComEd service territory. Integrys is planning to provide retail electric service to residential and small commercial customers in ComEd’s service territory. Interstate Gas Supply of Illinois, Inc. (“IGS”) is not currently certified as an ARES, but is considering seeking certification.

Integrys presently provides service to industrial and commercial customers in ComEd's service territory. Of critical importance to the retail suppliers in providing service to ComEd's residential and small commercial market is ensuring that the energy/procurement component of ComEd's bundled product -- against which RESs compete -- is not improperly cross-subsidized by the "wires side" of ComEd's business.

**Q. Please explain how the interests of REACT's members align, combining some of ComEd's largest customers with RESs interested in residential competition.**

A. The members of REACT are committed to advocating that the Commission ensure accurate, appropriate and equitable allocations of ComEd's costs.

As discussed at length in the testimony of REACT expert witness Mr. Merola, ComEd has failed to properly allocate a portion of its supply procurement costs, and is attempting to recover those costs under its delivery services rates. By improperly allocating its procurement costs to the delivery services part of its business, ComEd subsidizes the rate it charges for the commodity of electricity -- the component of the rate against which RESs compete -- by artificially increasing its delivery services charges. As Mr. Merola explains, this cross-subsidization is inappropriate because customers who chose to take service from RESs should no longer pay for any of ComEd's supply cost (because they are paying the RESs to provide supply service), but all customers pay for ComEd's delivery services costs. Significantly, the impact of skewing costs toward delivery is not to reduce the **overall** rate ComEd's bundled rate customers would pay. Instead, it only

reduces the “bypassable” energy component of its rates while increasing the “non-bypassable” delivery services component.

While ComEd no longer provides a bundled annual fixed-price electricity product to the over-10 MW customer classes, it does, and will continue to, provide a bundled fixed-price product to its residential and small commercial customers with peak demand less than 100 kW, and continues to offer day-ahead supply service to all of its customers. REACT’s customer members also benefit from proper allocation of the Customer Care Costs because increased competitive opportunities leads to increased supplier participation, and increased supplier participation leads to greater choices and product innovation.

As REACT witness Mr. Terhune discusses in his testimony, the over-10 MW customer class should be assigned only the fair share of the costs that it causes. The RES members of REACT have an interest in the overall prices that the largest customers must pay for electricity service as a whole. By unjustifiably assigning costs to the Extra Large Load customer class, ComEd’s proposed rates would inappropriately artificially inflate the rates of the largest customers.

Therefore, both the over 10-MW customers and the RESs considering entering the residential and small commercial market in the ComEd service territory have a very similar interest -- ensuring fair, accurate and transparent allocation of ComEd’s costs between the generation, transmission and distribution rates.

**Q. What message would REACT like to convey to the Commission?**

A. Ever since the 2007 ComEd Rate Case, when REACT was first formed and became active, REACT's message has been consistent and clear: ComEd has failed to justify the massive, disproportionate increase that it seeks from its largest customers, and likewise has no legitimate basis for its assertion that delivery services customers should pay for the Customer Care Costs associated with ComEd providing supply service. Despite the Commission repeatedly strongly criticizing ComEd's cost allocation methodologies on these issues, ComEd's direct testimony is, at best, a retread of the same ECOSS that the Commission found to be "problematic" and containing "substantial deficiencies" and a Customer Care Cost analysis that the Commission found "difficult to imagine". (See ICC Docket No. 07-0566, Final Order dated September 10, 2008, at 213; ICC Docket No. 08-0532, Final Order dated April 21, 2010, at 67.) It is plainly inappropriate for ComEd to again propose to use fundamentally the same ECOSS and cost allocation methodology that the Commission has strongly criticized.

**Q. What specifically was the Commission's finding regarding ComEd's ECOSS in ComEd's 2007 Rate Case?**

A. In ComEd's 2007 Rate Case, the Commission noted that ComEd's ECOSS contained substantial deficiencies that rendered it problematic for purposes of setting rates. (See ICC Docket No. 07-0566, Final Order dated September 9, 2008, at 213). The Commission further determined that proper assignment of primary and secondary costs would likely reduce the total cost allocation to customers in the Extra Large, High-Voltage and Railroad delivery classes. To mitigate the large proposed increases of 129%

for High Voltage Delivery (over-10 MW) and 140.4% for Extra Large (over-10 MW) customers (*See* ICC Docket No. 07-0566, ComEd Ex. 12.0, Direct Panel Testimony of Lawrence S. Alongi and Chantal K. Jones, PhD, at 11), the Commission authorized ComEd to only move rates 25% towards rates based upon ComEd's substantially deficient ECOSS. (*See* ICC Docket No. 07-0566, Final Order dated September 10, 2008, at 213.)

**Q. What did the Commission further order in 2007 Rate Case Final Order?**

A. The Commission ordered a special investigation and opened the 2008 Special Investigation Proceeding, ICC Docket No. 08-0532. This investigation required ComEd to provide reports and studies on bundled supply customer costs, street lighting costs, separation of costs for primary and secondary service, and the nature and extent of use of railroad class customers facilities to provide service to other customers, changes in accounting policy, affiliate interest transactions, pass through transactions and future depreciation. (ICC Docket No. 08-0532, Initiating Order dated September 10, 2008 at 2-3.)

**Q. Briefly describe the results of this Special Investigation Proceeding.**

A. ComEd filed a revised ECOSS that addressed the issues directed by the Commission in the 2007 Rate Case Final Order, including an ECOSS containing cost separate for the primary and secondary costs. (*See* ICC Docket No. 07-0566, Final Order dated September 10, 2008, at 207.) REACT participated in these proceedings providing testimony that the ECOSS was still problematic and did nothing to resolve the massive increases being proposed by ComEd for large over-10 MW customers. Problems identified by REACT and other intervenors in the primary secondary analysis included:

- 310 • Use of small sampling sizes to make cost allocations;
- 311 • Classification of line transformers as primary;
- 312 • Use of engineering estimates and assumptions;
- 313 • Failure to perform any studies to determine what facilities are actually installed to
- 314 serve over-10 MW customers;
- 315 • Allocation of Customer Care Costs.

316

317 **Q. Did the Commission criticize ComEd's approach to the Customer Care Cost issue in**  
 318 **the 2007 Rate Case Order and the Special Investigation Proceeding Order?**

319 A. Yes. With regard to Customer Care Cost issue, the Commission stated:

320 The Commission believes that some percentage of customer care costs  
 321 may well be attributable specifically to bundled supply customers. This  
 322 allocation could substantially reduce costs assigned to distribution  
 323 customers while increasing bundled supply rates. The Commission  
 324 believes that it is reasonable to investigate the allocation of customer care  
 325 costs.

326 (*Id.* at 207-208.)

327

328 In discussing the Customer Case Cost issue, the 2008 Special Investigation  
 329 Proceeding Order was direct, stating, for example:

330 The question here is from whom should the customer care costs identified  
 331 in the last rate case be recovered. **ComEd's proposal allocates less than**  
 332 **one percent of its customer care costs to supply based on an avoided**  
 333 **cost analysis. If the Commission's goal is to assign costs to the cost**  
 334 **causers, it is difficult to imagine that less than 1% of ComEd's**  
 335 **customer care costs are caused by supply related matters. ComEd**  
 336 **does not explain why an avoided cost study is used for these costs and**  
 337 **for every other cost an embedded cost study is done.**

338 (*Id.* at 67) (emphasis added.)

340



After reviewing the competing views of REACT and ComEd and noting that “REACT does raise many valid points,” the Commission concluded that:

**ComEd is directed to file an embedded cost of service study for these costs and to also include the results of its avoided cost study.** This will give the Commission the opportunity to review and compare both methodologies and reach a decision based on all the relevant information. If more costs are allocated to supply, then Rider PE or Rate BESH should also be modified.

(*Id.* at 68-69) (emphasis added.)

The Commission again reiterated ComEd’s obligation in the ordering paragraphs of the Order, stating:

IT IS FURTHER ORDERED that Commonwealth Edison Company shall file an embedded cost of service study for its customer care costs **in its next rate filing.**

(*Id.* at 85) (emphasis added). Unfortunately, when ComEd made its filing to initiate this rate case, ComEd failed to include an embedded cost of service study for its Customer Care Costs. Instead, 40 days after making its initial filing, ComEd requested permission to file supplemental testimony that included an ECOSS for Customer Care Costs. My understanding is that ComEd eventually was granted permission to make that late filing.

**Q. Did the Commission criticize ComEd’s approach to the primary/secondary split in the 2007 Rate Case Order and the Special Investigation Proceeding Order?**

A. Yes. With regard to the primary/secondary Split issue, the Commission concluded:

**ComEd admits that the assignment of primary and secondary distribution costs would likely reduce the total cost allocation to customers in the Extra Large Load, High Voltage, and Railroad delivery classes.** Although admitting on cross examination that it did not know how expensive this analysis would be, ComEd, nevertheless argues

that the cost of the primary secondary analysis exceeds the benefits because the benefits would flow to a small number of customers. This overlooks our explicit policy objective of assigning costs where they belong. Only customers using the primary system would see lower rates but the assignment of costs and the rates charged to all classes would be effected. Moreover, the secondary costs assigned to these primary customers substantially change the cost of serving this small number of customers.

\* \* \*

**Having considered the evidence and arguments of the parties, the Commission finds that the ECOSS is deficient in not separating and properly allocating primary and secondary service costs.**

(*Id.* at 206-07) (emphasis added.)

The Initiating Order in the 2008 Special Investigation Proceeding stated:

To facilitate that investigation, ComEd is directed to provide an updated cost of service study that (1) differentiates between primary and secondary voltage level; (2) analyzes the cost of providing Customer Care to a customer taking supply from an alternative supplier versus the cost of providing Customer Care to a customer taking supply from ComEd . . . . **The Commission will utilize these updated studies provided in this record to perform a comparative analysis with the rate structure allowed in our Order in Docket 07-0566. Based on this analysis we will determine what changes, if any, are necessary, to ensure that the rate structure of ComEd, with appropriate consideration of historic rate structures of the company, are in fact just and reasonable.**

(2008 Special Investigation Proceeding, ICC Docket No. 08-0532, September 10, 2008 Initiating Order at 2-3) (emphasis added.) The Initiating Order therefore required “updated studies” from which it could “determine what changes, if any, are necessary to ensure that the rate structure of ComEd . . . [is] in fact just and reasonable.” (*Id.*)

In discussing ComEd’s analysis of the primary/secondary split issue, the 2008 Special Investigation Proceeding Initiating Order stated:

Another related concern voiced by Staff, IIEC, REACT, Metra, and the CTA is that the Company relied solely on engineering judgment for many assumptions about primary and secondary costs and made virtually no physical inspections of facilities to verify the reasonableness of those assumptions. **The record shows that when ComEd's engineering estimates were compared to a very small number of system inspections they were found to be very inaccurate.** While the Company could not be expected to inspect its entire system, some visual analyses would enable ComEd to conform the engineering assumptions that drive its analysis of primary and secondary costs to reality. **We direct ComEd to conform the engineering assumptions that drive its analysis of primary and secondary costs through the implementation of sampling methods for physical inspections to confirm engineering judgments and to provide this supporting documentation in its cost of service testimony in subsequent rate proceedings before this Commission.**

(*Id.* at 38) (emphasis added.)

Similarly, in addressing ComEd's approach to evaluating cost of service to customers relating to transformers, the Order stated:

**Based upon ComEd's tariffs and the description of the system provided to us, we find that ComEd's current method of allocating transformer costs is not appropriate.** When the exiting voltage of the transformer is secondary, the transformer can only serve secondary customers and should be allocated as a secondary system cost.

ComEd estimates approximately 300 customers (other than high voltage) actually receive power at the primary level while all other customers (excluding high voltage customers) receive power at the secondary level and therefore have their power transformed from a primary down to a secondary level. **ComEd argues that making rate adjustments for such a small number of customers is not cost effective. We disagree.**

**The approximately 300 customers who do not require transformers to step down their voltage should be identified and should receive a downward rate adjustment reflective of transformation cost savings.** The remaining 3.7 million customers requiring transformation down to the secondary level should pay rates that reflect an allocation of transformer costs.

In addition to the 300 primary only customers, other customers, including multifamily residential customers, receive secondary voltage service

directly from line transformers fed by primary voltage circuits. ComEd presently considers these customers to be primary service customers. According to our reading of ComEd's tariffs, they should be considered secondary service customers. We find that the rates charged to these customers should reflect their use of transformers and some use of the secondary distribution system. **Staff indicates that these customers can be easily identified without extensive studies because they have a unique set of meters.**

(*Id.* at 38-39) (emphasis added.)

In the end, the Commission ordered the following:

Consistent with the foregoing, **we direct ComEd to develop and provide in its next rate proceeding:** 1) direct observation or sampling and estimation techniques of ComEd's system to develop more accurate and transparent differentiation of primary and secondary costs; 2) other utilities' methods of differentiating primary and secondary systems and costs; 3) function based definitions of service voltages for facilities other than the line transformers already addressed; 4) an analysis of which customer groups are served by which system service components; and 5) consideration of redefining rate classes on the basis of voltage or equipment usage to better reflect the cost of service.

(*Id.* at 40) (emphasis added).

The ordering paragraphs of that Order reiterated ComEd's obligation, stating:

IT IS FURTHER ORDERED that Commonwealth Edison Company should file an updated ECOSS for consideration **in its next rate filing** as outlined herein.

(*Id.* at 85) (emphasis added.)

**Q. What specifically did the Commission order in the Special Investigation Proceeding regarding the primary/secondary split analysis?**

**A.** The Commission ordered ComEd to provide in its next rate proceeding a primary/secondary cost analysis that included:

- Direct observation or sampling and estimation techniques of ComEd's system to develop more accurate and transparent differentiation of primary and secondary costs;
- Other utilities' methods of differentiating primary and secondary systems and costs;
- Function based definitions of service voltages for facilities other than the line transformers already addressed;
- An analysis of which customer groups are served by which system service components; and
- Consideration of redefining rate classes on the basis of voltage or equipment usage to better reflect the cost of service.

Just as with the Customer Care Costs, in its filing to initiate this proceeding, ComEd did not attempt to address these items. Instead, ComEd sought, and was eventually granted, permission to file supplemental testimony. However, as explained more fully below, ComEd's current proposed rate allocation methodologies remain substantially deficient; as a result, if the Commission were to approve ComEd's proposed rates, the Extra Large Load customer class would experience massive, unjustified rate increases.

**Q. Was the issue of what facilities are installed to serve Extra Large customers and the allocation of those facilities to Extra Large customers raised in Docket No. 07-0566?**

A. Yes. REACT witness Edward Bodmer testified about the desirability and the feasibility of requiring ComEd to undertake specific studies about specific facilities. Mr. Bodmer testified that ComEd is capable of making customer rate computations and did it for more than 6,000 ratepayers when calculating customer-specific stranded costs charges. (*See* ICC Docket No. 07-0566, REACT Exhibit 2.0, page 19) Mr. Bodmer's Direct and Rebuttal Testimony, and the exhibits thereto submitted into evidence in the 2007 ComEd

Rate Case are incorporated herein as if they were attached REACT Exhibits 1.7 and 1.8, respectively.<sup>5</sup>

It was also pointed out in ICC Docket No. 07-0566 that although the annual impact on rates was being discussed, if adopted, ComEd's huge, unjustified rate increases would impact these customers' rates forever. Of course, that remains the case with respect to the ECOSS presented by ComEd at issue in this proceeding -- if the Commission were to accept ComEd's proposal, the these huge, unjustified rate increases would impact these customers' rates forever. Given the potentially massive increases for these customers, the benefits of providing on transparent basis the cost information regarding the actual costs to serve this customer class far outweigh the implementation costs to obtain that information.

#### IV.

#### **COMED SEEKS TO IMPOSE A DISPROPORTIONATE AND UNFAIR RATE INCREASE UPON CUSTOMERS IN THE OVER-10 MW CUSTOMER CLASS**

**Q. Please summarize the magnitude of ComEd's proposed distribution rate increase.**

A. ComEd's overview of this rate filing, summarized in ComEd Ex. 1.1R explains that it is proposing total delivery services revenue \$2.337 billion, which is an overall increase of \$396 Million (20.6%). (*See also* ComEd Ex. 16.3.). This requested increase is in addition to the \$273.6 Million increase approved by the Commission in ComEd's 2007 Rate Case. (*See* ICC Docket No. 07-0566, Final Order dated September 10, 2008 at 236.)

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<sup>5</sup> In the 2007 ComEd Rate Case (ICC Docket No. 07-0566), Mr. Bodmer's Direct Testimony (REACT Exhibit 2.0) and accompanying exhibits (REACT Exhibits 2.1-2.5) were filed on ICC eDocket on February 11, 2008. Mr. Bodmer's Rebuttal Testimony (REACT Exhibit 6.0) was filed on ICC eDocket on April 8, 2008.

In its 2007 Rate Case, ComEd proposed increasing rates would have resulted in an overall **129.4% increase** for the High Voltage Delivery Class (over-10 MW) and an overall **140.4% increase** for the Extra Large Delivery Class (over-10 MW). (ICC Docket No. 07-0566, REACT Ex. 1.1, Exhibit to the Direct Testimony of Brad Fults, at 10 (REACT Ex. 1.2).)

The Commission recognized the significant concern of REACT and other intervenors in ComEd's 2007 Rate Case, openly strongly criticized ComEd's proposed ECOSS as a basis for setting rates, but nevertheless authorized rates based roughly on the ECOSS, with a 25% movement towards ECOSS based rates for the Extra Large Load, High Voltage, and Railroad delivery services classes.

**Q What has ComEd assumed in this rate proceeding regarding distribution rates for Extra Large and Over-10 MW High Voltage Customers?**

A. ComEd has assumed that it is appropriate to move the rates for Extra Large Load and over-10 MW High Voltage delivery classes an additional 25% towards the fundamentally flawed ECOSS ComEd presented in the 2007 Rate Case. This means that ComEd is essentially 50% towards the massive rate increases they proposed in Docket 07-0566 with little or no changes to the same ECOSS that the Commission found to be deficient in ComEd's 2007 Rate Case, and again seriously questioned in the subsequent Special Investigation Proceeding. (See ICC Docket No. 07-0566, Final Order dated September 10, 2008, at 213; ICC Docket No. 08-0532, Final Order dated April 21, 2010, at 67.)

556 **Q Has ComEd presented any analysis of the dollar impact of ComEd's overall**  
 557 **distribution rate increase proposal for over-10 MW customers in this proceeding?**

558 A. ComEd's analysis was perfunctory at best.

559

560 **Q Has ComEd presented any analysis of the dollar impact of ComEd's overall**  
 561 **distribution rate increase proposal for over-10 MW customers in this proceeding for**  
 562 **rates in effect prior to the Final Order in its 2007 Rate Case?**

563 A. No.

564

565 **Q Have you been able to ascertain the dollar impact of ComEd's distribution service**  
 566 **charges increase proposal for the Extra Large over-10 MW customers?**

567 A. Yes. Table 1 compares the annual distribution charges and increases for various size  
 568 customers in the Extra Large Load class. The comparison shows annual costs using  
 569 distribution rates approved in Docket Nos. 05-0597 and 07-0566. The results show that  
 570 the annual cost impact of ComEd proposed rates over rates approved in Docket No. 05-  
 571 0597 would range from \$233,735 (for customers with a demand of 10 MW) to  
 572 \$1,910,342 (for customers with a demand of 75 MW). On a percentage increase basis,  
 573 rates will, if approved, increase by over 76.8% for all Extra Large customers when  
 574 compared with rates authorized in ComEd's 2005 Rate Case, ICC Docket No. 05-0597.  
 575 In this proceeding, ComEd's proposed rate increases over rates approved in ComEd's  
 576 2007 Rate Case range from 33.3% to 39.6%, depending on customer size.

577



**Table 1**  
**Annual Impact of Proposed Distribution Charges for**  
**Extra Large Over 10 MW Customers**

	<b>Annual Electric Costs</b>			<b>10-0467 Proposed Rate Increase Over</b>		<b>% Increase</b>	
	<b>Final Orders</b>		<b>Proposed</b>	<b>Final Orders</b>		<b>Final Order Costs</b>	
	<b>05-0597</b>	<b>07-0566</b>		<b>05-0597</b>	<b>07-0566</b>	<b>05-0597</b>	<b>07-0566</b>
10 MW	\$304,221	\$403,477	\$537,956	\$233,735	\$134,479	76.8%	33.3%
20 MW	\$599,421	\$797,077	\$1,085,341	\$485,920	\$288,264	81.1%	36.2%
35 MW	\$1,042,221	\$1,387,477	\$1,909,090	\$866,869	\$521,613	83.2%	37.6%
50 MW	\$1,485,021	\$1,977,877	\$2,748,870	\$1,263,849	\$770,993	85.1%	39.0%
75 MW	\$2,223,021	\$2,961,877	\$4,133,362	\$1,910,342	\$1,171,486	85.9%	39.6%

Annual costs calculated by multiplying customer and metering charges x 12, plus monthly kW x 12 months x \$/kW distribution facilities charge, plus IL Electricity Distribution tax per kWh by annual kWh. (See ComEd Ex. 16.0 Revised, Table D3; 2nd Revised Sheet No. 369.)

**Q Have you been able to ascertain the dollar impact of ComEd's distribution service charges increase proposal for the High-Voltage over-10 MW customers?**

A. Yes. Table 2 compares the annual distribution charges and increases for various size customers in the High-Voltage over-10 MW class. The results show that the annual cost impact of ComEd's proposed rates over rates approved in Docket No. 05-0597 would range from \$40,537 (for customers with a demand of 10 MW) to \$469,143 (for customers with a demand of 75 MW). On a percentage increase basis, rates will increase by over 29.9% for all High-Voltage over-10 MW customers. In this proceeding, ComEd's proposed rate increases over the 2007 Rate Case rates range from 6.63% to 21.0%, depending on customer size.

**Table 2**  
**Annual Impact of Proposed Distribution Charges for**  
**High-Voltage Over 10 MW Customers**

	<b>Annual Electric Costs</b>			<b>10-0467 Proposed Rate Increase Over</b>		<b>% Increase</b>	
	<b>Final Orders</b>		<b>Proposed</b>	<b>Final Orders</b>		<b>Final Order Costs</b>	
	<b><u>05-0597</u></b>	<b><u>07-0566</u></b>	<b><u>10-0467</u></b>	<b><u>05-0597</u></b>	<b><u>07-0566</u></b>	<b><u>05-0597</u></b>	<b><u>07-0566</u></b>
10 MW	\$135,440	\$165,125	\$175,977	\$40,537	\$10,852	29.9%	6.6%
20 MW	\$266,240	\$324,725	\$366,962	\$100,722	\$42,237	37.8%	13.0%
35 MW	\$462,440	\$564,125	\$656,111	\$193,671	\$91,986	41.9%	16.3%
50 MW	\$658,640	\$803,525	\$961,291	\$302,650	\$157,766	46.0%	19.6%
75 MW	\$985,640	\$1,202,525	\$1,454,783	\$469,143	\$252,258	47.6%	21.0%

Annual costs calculated by multiplying customer and metering charges x 12, plus monthly kW x 12 months x \$/kW distribution facilities charge, plus IL Electricity Distribution tax per kWh by annual kWh. (See ComEd Ex. 16.0R, Table D4; 2nd Revised Sheet No. 370.)

**Q. What do the above increases in the Distribution Facilities Charges for Extra Large and High-Voltage customers show?**

A. It shows that ComEd's ECOSS for allocating costs to Extra Large and High Voltage customers continues to be flawed. Based on this flawed ECOSS, ComEd continues to improperly and disproportionately allocate excessive costs to Extra Large over-10 MW and High-Voltage over-10 MW customers.

**V.**

**THE COMMISSION SHOULD REJECT COMED'S EMBEDDED COST OF SERVICE STUDY AND ITS PRIMARY SECONDARY ANALYSIS**

**Q Did ComEd file an Embedded Cost of Service Study in this proceeding?**

A. Yes. In its initial filing on June 30, 2010, ComEd filed its ECOSS, which used essentially the same methodology that was strongly criticized in ComEd's 2007 Rate

Case and the 2008 Special Investigation Proceeding. The allocations resulting from the ECOSS in this case continues to show that ComEd is over-collecting costs from its over-10 MW customers and therefore requires significant rate decreases for these customers.

**Q. Did ComEd provide this primary/secondary cost analysis in this proceeding?**

A. Not in its initial filing made on June 30, 2010. ComEd subsequently provided the primary/secondary cost analysis and supporting testimony on August 9, 2010.

**Q. Did ComEd make all the ordered adjustments to its primary/secondary costs analysis?**

A. No.

**Q. Did ComEd prepare proposed charges for under the primary/secondary cost analysis?**

A. Yes. As part of the supplemental and revised testimony ComEd witness Lawrence S. Alongi prepared Exemplar charges showing distribution rates for non-residential demand-based customers (*See* ComEd Ex. 21.0R at 8; ComEd Ex. 21.1.) At part of these Exemplar rates ComEd prepared delivery services charges for an “Exemplar Primary Voltage Delivery Class.” (ComEd Ex. 21.1.) As I understand this rate, the most of the Extra Large Customers would take service under the Exemplar Primary Service rate, if it were adopted.

**Q. What would be the impact to Extra Large over-10 MW customers if they were served under the Exemplar Primary Service rate?**

A. The following Table 3 shows that Extra Large over-10 MW customers receiving service under the Exemplar Primary service would see rate increases over ComEd 2007 Rate Case rates. The increases range from \$248,739 for a 10 MW customer to \$2.08 Million for a 75 MW size customer. The respective percentage increases are 61.6% to 70.3%. The percentage over rates approved in Docket No. 05-0597 would be 114.4% for a 10 MW size customer and 126.9% for a 75 MW size customers.

**Table 3.**  
**Annual Costs for Extra Large Customers Receiving Service Under Exemplar Price Service Rate**

	<b>Annual Electric Costs</b>			<b>Exemplar Increase Over</b>		<b>% Increase Over Final Order Costs</b>	
	<b>Final Orders</b>		<b>Exemplar Primary</b>	<b>Final Orders</b>		<b>05-0597</b>	<b>07-0566</b>
	<b>05-0597</b>	<b>07-0566</b>		<b>05-0597</b>	<b>07-0566</b>		
10 MW	\$304,221	\$403,477	\$652,216	\$347,995	\$248,739	114.4%	61.6%
20 MW	\$599,421	\$797,077	\$1,322,001	\$722,580	\$524,924	120.5%	65.9%
35 MW	\$1,042,221	\$1,387,477	\$2,329,350	\$1,287,129	\$941,873	123.5%	67.9%
50 MW	\$1,485,021	\$1,977,877	\$3,352,730	\$1,867,709	\$1,374,853	125.8%	69.5%
75 MW	\$2,223,021	\$2,961,877	\$5,043,222	\$2,820,202	\$2,081,346	126.9%	70.3%

Annual cost calculated by multiplying customer and metering charges x 12, plus monthly kW x 12 months x \$/kW distribution facilities charge, plus IL Electricity Distribution tax per kWh by annual kWh. (See ComEd Ex. 16.0R, Table D3; ComEd Ex. 21.0R Table SD4; 2nd Revised Sheet No. 369.)

**Q. What do you conclude from this customer impact analysis?**

A. As a method for allocating costs among classes, ComEd's Exemplar Primary Service rates continues to be flawed.

**Q. Does the study underlying ComEd's Exemplar Primary Rate have any useful purpose?**

A. Yes. Although the resulting increases ComEd proposes for the over-10 MW customers are inappropriate, by performing this study ComEd did show that it has the capability to segregate certain assets out of the rate base applicable to certain customer classes. REACT expert witness Mr. Terhune concludes that the underlying study, while flawed, does serve as a "proof of concept" that ComEd has the capacity to segregate costs. It appears that ComEd can and should conduct the study Mr. Terhune recommends to identify and assign an fair allocation of costs related to the assets used to serve over-10 MW customers.

## **VI.**

### **THE COMMISSION SHOULD REJECT COMED'S PROPOSED COLLECTION OF THE ILLINOIS ELECTRICITY DISTRIBUTION TAX**

**Q. What change is ComEd proposing to recover costs for the Illinois Electricity Distribution Tax (IEDT)?**

A. According to ComEd Witness Mr. Alongi (see ComEd Ex. 16.0R at 18), ComEd is proposing to assess a per kWh charge of \$.00122 to all customers.

679 **Q. What is the IEDT?**

680 A. I understand that this is a tax imposed by the State of Illinois on Illinois electric  
681 distribution companies.

682

683 **Q. How does ComEd currently recover the IEDT?**

684 A. The tax is currently included in the Distribution Facilities Charge (“DFC”). For  
685 residential, watt-meter and lighting customers the tax is included in the \$ per kWh DFC.  
686 For other customers, such as Extra Large and High-Voltage customers, the tax is included  
687 in the \$ per kW DFC charge applied to each customer’s Maximum Kilowatts Delivered  
688 (“MKD”). A customer’s MKD is the highest 30-minute demand established by the retail  
689 customer during the monthly billing period.

690

691 **Q. What is the impact of this change to ComEd?**

692 A. There should be no impact to ComEd. ComEd should recover the exact IEDT amount  
693 however it proposes to recover that amount.

694

695 **Q. What will be the impact of this change to over-10 MW customers?**

696 A. This change will only cause more confusion and add another layer of complexity for  
697 customers in understanding their monthly ComEd bill. These customers already have on  
698 their monthly ComEd bill line items for other taxes such as the state excise tax, and  
699 municipal tax, if applicable.

700

**Q. Does ComEd’s proposal for Straight Fixed Variable (“SFV”) designed rates warrant this proposed change?**

A. No. ComEd has been historically been recovering this tax in the DFC and has not raised any cost recovery issues in prior rate proceeding. The current design of ComEd’s rates for non-residential customers having a DFC is similar to the SFV proposal by ComEd witness Mr. Alongi. (*See* ComEd Ex. 16.0R at 9). Under the SFV cost recovery method, ComEd recovers more delivery related costs through fixed changes and less through variable per kWh charges. Current rates for non-residential customers are already similar to the SFV rate design in that most costs are included in the DFC \$ per kW charge. Removing and separately billing for the IEDT takes a step back from this cost recovery approach.

**Q. Will ComEd be unique in assessing the IEDT is the Commission approves this change?**

A. Apparently. Based upon a review of the tariffs from Illinois electric utilities, it appears that no other utility shows the IEDT as a separate line item on its customers bills.

**Q. How should the IEDT be recovered?**

A. It should continued to viewed as a delivery related cost and appropriately recovered in the DFC.

VII.

**THE COMMISSION SHOULD REJECT COMED'S LATEST UNJUSTIFIED  
INCREASE TO ITS DISTRIBUTION LOSS FACTORS**

**Q. What changes is ComEd proposing to distribution loss factors?**

A. ComEd is proposing to increase the overall system average distribution loss factor by about 4%. The filed distribution loss factors are based on load research data prepared by ComEd for the 12 month period ending December 2009. (*See* ComEd Ex. 16.19R.)

**Q. Is this an issue you testified about in the 2007 Rate Case?**

A. Yes. In the 2007 Rate Case, REACT raised concerns about the significant percentage increases for the larger non-residential customers. (*See* Ex. 1.2, ICC Docket No. 07-0566, REACT Ex. 1.1, at 15.) Our concern was that the percentage increases were significantly higher for these customers than the system average. We also raised concern that the loss factors seem to be increasing even though ComEd has been making significant distribution improvements.

**Q. Explain what is meant by distribution losses.**

A. Distribution loss refers to the difference between electricity delivered *to a system* and the actual amount of electricity delivered *to customers*. Loss can occur on transmission lines ("transmission loss") or on the distribution system ("distribution loss"), but the primary source is losses in the transformation process from higher voltages to lower voltages. In this proceeding ComEd is only proposing changes to the distribution loss factor. Thus, I will limit my discussion to distribution line losses.



746 **Q. Why is the distribution loss important to REACT members?**

747 A. At the volume that the over-10 MW class purchases electricity, distribution losses  
 748 translate into significant costs for each customer. This is because distribution loss is a  
 749 percentage adder on top of the commodity charge that accounts for the difference  
 750 between electricity delivered to ComEd's distribution system and the actual amount of  
 751 electricity delivered to customers on the distribution system. For example, if a  
 752 customer's distribution loss factor is 7.0% and their electric commodity cost is \$100,000,  
 753 the cost for losses is \$7,000. Another way to think about the distribution loss is that it is  
 754 like a fixed-percentage tax on electricity.

755

756 **Q. How do customers pay for distribution losses?**

757 A. Suppliers assess the cost for distribution losses on their invoices to customers based each  
 758 customer's actual energy cost and loss factor. Thus, although the charge comes through  
 759 the supplier, the entity setting the charge (or at least the basis for the charge) is ComEd.

760

761 **Q. How have distribution losses changed over the last few ComEd rate proceedings?**

762 A. Summarized in Table 4 are ComEd distribution losses for non-residential customers since  
 763 Docket No. 05-0597. Results show that the losses increase since Docket 05-0597 for the  
 764 Extra Large over-10 MW customers is 15.78% and almost 43% for High-Voltage over-10  
 765 MW customers.

**Table 4**  
**Distribution Loss Factors -- Non-Residential**

<u>Customer Class</u>	<u>DLF %</u>		<u>Proposed</u>	<b>Proposed</b>
	<u>05-0597</u>	<u>07-0566</u>		<b>% Increase Over 05-0597</b>
Small	7.19%	7.52%	7.70%	<b>7.09%</b>
Medium	6.17%	6.40%	6.73%	<b>9.08%</b>
Large	5.57%	6.08%	6.32%	<b>13.46%</b>
Very Large	5.07%	5.81%	5.91%	<b>16.57%</b>
Extra Large	5.07%	5.83%	5.87%	<b>15.78%</b>
High-Voltage (>10 MW)	1.35%	1.83%	1.93%	<b>42.96%</b>
High-Voltage (<10 MW)	1.35%	2.28%	2.33%	<b>72.59%</b>
System Average	6.49%	6.48%	6.74%	

Source: ComEd Ex. 16.19R; 1st and 3rd Revised Sheet No. 378

**Q. What is the annual cost impact of the proposed distribution loss factors for over-10 MW customers?**

A. The annual cost impact of the proposed distribution loss factors will vary depending on customer load and other factors, such as supplier commodity costs. As demonstrated in Table 5 below, the annual cost impact for distribution losses ranges from \$47,339 to \$1.4 Million depending on customer size, service level, and their cost of electricity from their supplier. This analysis assumes an electric commodity cost of \$0.04 per kWh.

**Table 5**  
**Annual Cost of Proposed Distribution Loss Factor**

Assumed kW	Annual kWh	Extra Large	High-Voltage
10,000	61,320,000	\$143,979	\$47,339
20,000	140,160,000	\$329,096	\$108,204
35,000	260,610,000	\$611,912	\$201,191
50,000	394,200,000	\$925,582	\$304,322
75,000	604,440,000	\$1,419,225	\$466,628

Annual kWh x loss factor x 4.0¢ per kWh.

**Q. What happens if actual loss percentages applied to customers differ for losses contained in Rate RDS?**

A. It is unclear. I am not aware of any instances where a customer has requested or obtained an adjustment.

**Q. What is your recommendation with respect to ComEd's proposed increase in the distribution loss factor?**

A. ComEd should be ordered make an annual filing reconciling its losses assessed to customers with actual incurred losses. At that time, ComEd would file updated distribution loss factors that incorporate upward or downward adjustments. This would be similar to how natural gas utilities in Illinois update their annual distribution loss factor. The annual approach would ensure the losses are treated as a pass-through type cost with no benefits to ComEd or certain customer groups.

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**VII.**

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**CONCLUSION AND RECOMMENDATIONS**

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**Q. Please summarize your overall conclusions and recommendations.**

801

A. My conclusions and recommendations can be summarized as follows:

802

- ComEd's embedded cost-of-service study suffers the same deficiencies identified in the 2007 Rate Case and the 2008 Special Investigation Proceeding; the ECOSS simply cannot justify ComEd's proposed exorbitant rate increase for customers with demands exceeding 10 MWs. Allowing ComEd to move another 25% towards ComEd's claimed ECOSS is not supported by the facts.

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- ComEd's proposed increases in its delivery services rates improperly allocate costs related to the *procurement* of energy to the *delivery services* rates of ComEd's customers. As detailed in the testimony of Mr. Merola (REACT Ex. 3.0), the proposal is not only unfair to individual customers who obtain their electric supply from a RES, but also would impede the development of the competitive market for small commercial and residential customers, because RESs would be forced to compete against an artificially deflated ComEd supply rate. From REACT's perspective, fairness, the impact on the competitive market, and sound regulatory policy dictate that it is ComEd's supply customers who should be asked to pay for the costs associated with their procurement.

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- The Commission should compel ComEd to identify the assets used to serve the Extra Large Load class, as recommended by Mr. Terhune. As Mr. Terhune demonstrates, ComEd is currently recovering costs from this class that the class had no role in causing, but ComEd does have the capacity to identify those costs that the class did cause.

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- ComEd's proposal to recover its obligation pay the Illinois Electricity Distribution Tax on a per kWh fee should be rejected. This change is unnecessary, adds confusion and is contrary ComEd's proposal to move rate towards a Straight Fixed Variable recovery method.

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- ComEd updated its customer distribution losses in the last two rate proceeding and the increases are puzzling, at best. ComEd should be ordered make an annual filing reconciling its losses assessed to customers with actual incurred losses. The annual approach would ensure the losses are treated as a pass-through type cost with no benefits to ComEd or certain customer groups.

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**Q. Does this conclude your direct testimony?**

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A. Yes.